

Township of Otsego
Allegan County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended March 31, 2008

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis is intended as a narrative overview of the Township of Otsego, Michigan's operations over the fiscal year and its financial condition on March 31, 2008. Please read it in conjunction with the Township's financial statements.

FINANCIAL HIGHLIGHTS

- The Township's total net assets increased by \$175,263 as a result of this year's operations. Net assets of the governmental activities increased by \$83,849 while the net assets of the business-type activities increased by \$91,414.
- Of the \$5,569,297 total net assets reported, \$1,699,873 (31percent) is unrestricted, or available to be used at the Board's discretion.
- The General Fund's unreserved, undesignated fund balance at the end of the fiscal year was \$365,022, which represents 53 percent of the actual total General Fund expenditures for the current fiscal year.

Overview of the financial statements

This discussion and analysis introduces the Township's basic financial statements that follow this section. The Township's annual financial report is comprised of three parts: management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Township government, reporting the Township's operations in more detail than the government-wide financial statements.
 - The governmental fund statements tell how general governmental services like public works and public safety were financed in the short term as well as what remains for future spending.
 - Proprietary fund statements offer short- and long-term financial information about the activities the Township operates like a business. The Township's proprietary fund accounts for its water and wastewater systems.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

A comparative analysis of the basic financial statements for 2008 and 2007 is also presented.

Township of Otsego
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Government-wide financial statements

The government-wide financial statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Township's net assets and how they have changed. Net assets (the difference between the Township's assets and liabilities) is one way to measure the Township's financial health, or position.

- Over time, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township you need to consider additional nonfinancial factors such as changes in the Township's property tax base and the condition of the Township's capital assets.

The government-wide financial statements of the Township are divided into two categories:

- *Governmental activities* - These activities include functions most commonly associated with government (e.g., general government, public safety, public works, etc.). Property taxes and intergovernmental revenues finance most of these activities.
- *Business-type activities* - The Township charges fees to customers to help it cover the costs of certain services. The Township's water and wastewater system operations are reported here.

Fund financial statements

The fund financial statements provide more detailed information about the Township's most significant funds - not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and by grant agreements.
- The Township Board establishes other funds to control and manage money for particular purposes (like cemetery operations) or to show that it is properly using certain taxes and other revenues (like the refuse collection millage).

The Township has three kinds of funds:

- *Governmental funds.* Most of the Township's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flow in and out and, (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement that explains the relationship between them.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

- *Proprietary funds.* Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-and short-term financial information.
- *Fiduciary funds.* These funds are used to account for the collection and disbursement of resources, primarily taxes, for the benefit of parties outside the Township. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The Township's fiduciary balances are reported in separate Statement of Fiduciary Net Assets - Fiduciary Funds. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net assets. Total net assets at the end of the fiscal year were \$5,569,297, an increase of 3 percent from the prior year. However, \$3,772,792 of this total is invested in capital assets, and \$96,632 is restricted for public works. Consequently, unrestricted net assets were \$1,699,873, 31% of the total. While the Township reports unrestricted net assets under both governmental and business-type activities, the unrestricted net assets of the business-type activities cannot be used to make up any net asset deficit in governmental activities.

Condensed financial information
Net Assets

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Current and other assets	\$ 575,989	\$ 612,007	\$ 1,324,314	\$ 1,221,434	\$ 1,900,303	\$ 1,833,441
Capital assets	<u>867,053</u>	<u>757,674</u>	<u>4,370,794</u>	<u>4,484,917</u>	<u>5,237,847</u>	<u>5,242,591</u>
Total assets	<u>1,443,042</u>	<u>1,369,681</u>	<u>5,695,108</u>	<u>5,706,351</u>	<u>7,138,150</u>	<u>7,076,032</u>
Long-term debt	11,388	22,101	1,500,000	1,605,000	1,511,388	1,627,101
Other liabilities	<u>39,224</u>	<u>38,999</u>	<u>18,241</u>	<u>15,898</u>	<u>57,465</u>	<u>54,897</u>
Total liabilities	<u>50,612</u>	<u>61,100</u>	<u>1,518,241</u>	<u>1,620,898</u>	<u>1,568,853</u>	<u>1,681,998</u>
Net assets:						
Invested in capital assets, net of related debt	855,665	735,573	2,917,127	2,957,351	3,772,792	3,692,924
Restricted	<u>96,632</u>	<u>90,234</u>	-	-	<u>96,632</u>	<u>90,234</u>
Unrestricted	<u>440,133</u>	<u>482,774</u>	<u>1,259,740</u>	<u>1,128,102</u>	<u>1,699,873</u>	<u>1,610,876</u>
Total net assets	<u>\$ 1,392,430</u>	<u>\$ 1,308,581</u>	<u>\$ 4,176,867</u>	<u>\$ 4,085,453</u>	<u>\$ 5,569,297</u>	<u>\$ 5,394,034</u>

Township of Otsego**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

Changes in net assets. The Township's total revenues in 2008 are \$1,473,771. Approximately 40 percent of the Township's revenues come from charges for services. State shared revenue accounts for 23 percent of the total revenues while property taxes account for about 13 percent.

The total cost of all the Township's programs for 2008, covering a wide range of services, totaled \$1,298,508. More than 43 percent of the Township's costs relate to the provision of utility services while general government represents 31 percent of all costs.

Condensed financial information
Changes in net assets

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
Program revenues:						
Charges for services	\$ 217,181	\$ 230,271	\$ 368,386	\$ 344,286	\$ 585,567	\$ 574,557
Operating grants	5,481	5,467	-	-	5,481	5,467
Capital grants	39,000	-	238,844	168,281	277,844	168,281
General revenues:						
Property taxes	186,963	170,984	-	-	186,963	170,984
State shared revenue	337,681	334,878	-	-	337,681	334,878
Franchise fees	11,367	-	-	-	11,367	-
Interest income	27,884	27,734	40,422	36,353	68,306	64,087
Other	562	10,934	-	-	562	10,934
Total revenues	<u>826,119</u>	<u>780,268</u>	<u>647,652</u>	<u>548,920</u>	<u>1,473,771</u>	<u>1,329,188</u>
Expenses:						
Legislative	4,451	4,906	-	-	4,451	4,906
General government	404,960	407,456	-	-	404,960	407,456
Public safety	182,221	185,741	-	-	182,221	185,741
Public works	92,688	80,553	-	-	92,688	80,553
Community and economic development	42,557	28,824	-	-	42,557	28,824
Culture and recreation	14,000	15,400	-	-	14,000	15,400
Interest expense	1,393	-	-	-	1,393	-
Public utilities	-	-	556,238	562,309	556,238	562,309
Total expenses	<u>742,270</u>	<u>722,880</u>	<u>556,238</u>	<u>562,309</u>	<u>1,298,508</u>	<u>1,285,189</u>
Increase (decrease) in net assets	<u>\$ 83,849</u>	<u>\$ 57,388</u>	<u>\$ 91,414</u>	<u>\$ (13,389)</u>	<u>\$ 175,263</u>	<u>\$ 43,999</u>

Governmental activities

Governmental activities increased the Township's net assets by \$83,849 in the current year compared to a \$57,388 increase in the prior year. Revenues increased \$45,851 while expenses increased by \$19,390. The primary reason for the increase in the net assets can be attributed to the recognition of capital grants, in the amount of \$39,000, during the current year.

The cost of all governmental activities this year was \$742,270 compared to \$722,880 in the prior year. After subtracting the direct charges to those who directly benefited from the programs (\$217,181), and operating and capital grants (\$44,481), the "public benefit" portion covered by property taxes, state shared revenue and other general revenues was \$480,608 in 2008 compared to \$487,142 in 2007.

Township of Otsego
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Business-type activities

The business-type activities increased the Township's net assets by \$91,414 in 2008 compared to a decrease of \$13,389 in 2007. Revenues increased by \$98,732 while expenses decreased by \$6,071. Net assets increased in 2008 due to nearly \$239,000 of capital charges and development fees. Development fees were minimal in the prior year when a decrease in net assets occurred, which would be expected as current operating charges are not intended to cover all operating costs, including depreciation.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

Governmental funds. At March 31, 2008, the Township's governmental funds reported combined fund balances of \$536,765, which represents a \$ 36,243 decrease compared to the prior year.

The General Fund is the chief operating fund of the Township. At the end of the fiscal year, unreserved fund balance was \$365,022, which represents 53 percent of the actual total General Fund expenditures for the current fiscal year. The fund balance of the General Fund decreased by \$39,689 in 2008, when it had increased of \$23,504 in 2007. The change was primarily due to an increase in capital outlay costs associated with the contribution toward a new fire tanker truck with a cost of \$46,528.

The fund balance of the Cemetery Fund increased this year by \$3,446. The General Fund provided \$70,000 to the Cemetery Fund in the current year to support these operations.

Proprietary fund. The Public Utilities Fund, the Township's sole proprietary fund, experienced an increase in net assets of \$91,414 for reasons explained above.

General Fund budgetary highlights

The Township amended the General Fund budgeted expenditures during the year primarily to transfer appropriations between activities. Total budgeted expenditures were increased by \$45,000.

Revenues and transfers in were \$26,615 less than budgeted while expenditures and transfers to other funds were \$80,619 less than the amounts appropriated. These conditions resulted in a \$54,004 positive budget variance and a \$39,689 decrease in fund balance compared to a budgeted \$93,693 decrease. The general government and public works functions were under budget by \$38,103 and \$12,872 respectively. These positive variances were accomplished through cost reductions and monitoring by the Township Board during the fiscal year.

Township of Otsego
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Capital assets and debt administration

Capital assets

At March 31, 2008, the Township had invested \$5,237,847 (net of accumulated depreciation) in various capital assets, including its land, buildings, equipment, and utilities systems. This amount represents a net decrease of \$4,744, comprised of \$195,847 in additions and \$200,591 in provisions for depreciation.

This year's major capital asset additions included:

- \$131,384 in road improvements, an intangible asset
- Acquisition of a fire tanker truck at a cost of \$46,528

More detailed information about the Township's capital assets is presented in Note 5 of the basic financial statements.

Debt administration

At the end of the fiscal year, the Township had debt outstanding in the amount of \$1,511,388, which represents a decrease of \$115,713 or 7 percent. All debt is backed by the full faith and credit of the Township.

All required principal payments, in the amount of \$115,713, were paid in a timely manner.

More detailed information about the Township's long-term obligations is presented in Note 6 of the basic financial statements.

Economic condition and outlook

The Township continues to enjoy economic stability with taxable values increasing by \$7.9 million and a slight increase in funding from state shared revenue. The Township does not base its revenues on a single company or manufacturing operation, but instead enjoys a balanced mix of commercial, industrial and residential properties which helps to insure steady property tax revenues. While the Township anticipates stable income streams for the upcoming year, the increased cost of oil and oil based products will limit the scope of any potential roadwork projects that may be undertaken.

Contacting the Township's financial management

This financial report is designed to provide a general overview of the Township's finances to its citizens, customers, investors, and creditors, and to demonstrate the Township's accountability for the money it receives. Questions regarding any information provided in this report or request for additional financial information should be addressed to:

Township of Otsego
P.O. Box 257
400 N. 16th Street
Otsego, MI 49078

Phone: (269) 694-9434

INDEPENDENT AUDITORS' REPORT

**Board of Trustees
Township of Otsego, Michigan**

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Township of Otsego, Michigan, as of March 31, 2008, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Township of Otsego, Michigan, as of March 31, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis and budgetary comparison schedules, as listed in the contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Otsego, Michigan's, basic financial statements. The supplementary data, as listed in the contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sigfried Crandall P.C.

July 21, 2008

BASIC FINANCIAL STATEMENTS

Township of Otsego
STATEMENT OF NET ASSETS
March 31, 2008

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash	\$ 454,420	\$ 946,054	\$ 1,400,474
Receivables	<u>121,569</u>	<u>75,592</u>	<u>197,161</u>
Total current assets	<u>575,989</u>	<u>1,021,646</u>	<u>1,597,635</u>
Noncurrent assets:			
Receivables	-	256,335	256,335
Deferred charges, net of amortization	-	46,333	46,333
Capital assets not being depreciated	11,850	51,860	63,710
Capital assets, net of accumulated depreciation	<u>855,203</u>	<u>4,318,934</u>	<u>5,174,137</u>
Total noncurrent assets	<u>867,053</u>	<u>4,673,462</u>	<u>5,540,515</u>
Total assets	<u>1,443,042</u>	<u>5,695,108</u>	<u>7,138,150</u>
LIABILITIES			
Current liabilities:			
Payables	39,224	18,241	57,465
Current portion of long-term obligations	<u>11,388</u>	<u>-</u>	<u>11,388</u>
Total current liabilities	50,612	18,241	68,853
Noncurrent liabilities:			
Noncurrent portion of long-term obligations	<u>-</u>	<u>1,500,000</u>	<u>1,500,000</u>
Total liabilities	<u>50,612</u>	<u>1,518,241</u>	<u>1,568,853</u>
NET ASSETS			
Invested in capital assets, net of related debt	855,665	2,917,127	3,772,792
Restricted for public works	96,632	-	96,632
Unrestricted	<u>440,133</u>	<u>1,259,740</u>	<u>1,699,873</u>
Total net assets	<u>\$ 1,392,430</u>	<u>\$ 4,176,867</u>	<u>\$ 5,569,297</u>

See notes to the financial statements

Township of Otsego
STATEMENT OF ACTIVITIES
Year ended March 31, 2008

Functions/Programs	<u>Expenses</u>	<u>Program revenues</u>		
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>
Governmental activities:				
Legislative	\$ 4,451	\$ -	\$ -	\$ -
General government	404,960	150,557	-	19,000
Public safety	182,221	54,345	-	-
Public works	92,688	6,629	5,481	20,000
Community and economic development	42,557	5,650	-	-
Recreation and culture	14,000	-	-	-
Interest on long-term debt	<u>1,393</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	742,270	217,181	5,481	39,000
Business-type activities:				
Public utilities	<u>556,238</u>	<u>368,386</u>	<u>-</u>	<u>238,844</u>
Totals	<u>\$ 1,298,508</u>	<u>\$ 585,567</u>	<u>\$ 5,481</u>	<u>\$ 277,844</u>

General revenues:

Property taxes
State shared revenue
Cable television franchise fees
Interest income
Other

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

Net (expenses) revenues and changes in net assets

<i>Governmental activities</i>	<i>Business-type activities</i>	<i>Totals</i>
\$ (4,451)		\$ (4,451)
(235,403)		(235,403)
(127,876)		(127,876)
(60,578)		(60,578)
(36,907)		(36,907)
(14,000)		(14,000)
<u>(1,393)</u>		<u>(1,393)</u>
(480,608)		(480,608)
	\$ 50,992	50,992
<u>(480,608)</u>	<u>50,992</u>	<u>(429,616)</u>
186,963	-	186,963
337,681	-	337,681
11,367	-	11,367
27,884	40,422	68,306
<u>562</u>	<u>-</u>	<u>562</u>
<u>564,457</u>	<u>40,422</u>	<u>604,879</u>
83,849	91,414	175,263
<u>1,308,581</u>	<u>4,085,453</u>	<u>5,394,034</u>
<u>\$ 1,392,430</u>	<u>\$ 4,176,867</u>	<u>\$ 5,569,297</u>

See notes to the financial statements

Township of Otsego
BALANCE SHEET - governmental funds
March 31, 2008

	<u>Major funds</u>		<u>Nonmajor governmental fund</u>	<u>Total governmental funds</u>
	<u>General</u>	<u>Cemetery</u>	<u>Trash</u>	
ASSETS				
Cash	\$ 433,236	\$ 21,184	\$ -	\$ 454,420
Receivables	67,642	53,927	-	121,569
Total assets	<u>\$ 500,878</u>	<u>\$ 75,111</u>	<u>\$ -</u>	<u>\$ 575,989</u>
LIABILITIES AND FUND BALANCES				
Liabilities - payables	<u>\$ 39,224</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,224</u>
Fund balances:				
Reserved for trash collection	96,632	-	-	96,632
Unreserved	<u>365,022</u>	<u>75,111</u>	<u>-</u>	<u>440,133</u>
Total fund balances	<u>461,654</u>	<u>75,111</u>	<u>-</u>	<u>536,765</u>
Total liabilities and fund balances	<u>\$ 500,878</u>	<u>\$ 75,111</u>	<u>\$ -</u>	<u>\$ 575,989</u>
Total fund balances - governmental funds				\$ 536,765
Amounts reported for <i>governmental activities</i> in the statement of net assets (page 5) are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				867,053
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds				<u>(11,388)</u>
Net assets of <i>governmental activities</i>				<u>\$ 1,392,430</u>

See notes to the financial statements

Township of Otsego

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - governmental funds**

Year ended March 31, 2008

	<u>Major funds</u>		<u>Nonmajor governmental fund</u>	<u>Total governmental funds</u>
	<u>General</u>	<u>Cemetery</u>	<u>Trash</u>	
REVENUES				
Property taxes	\$ 198,137	\$ -	\$ 38,925	\$ 237,062
Licenses and permits	61,939	-	-	61,939
State grants	343,162	-	-	343,162
Contribution from local unit	-	53,927	-	53,927
Charges for services	20,479	33,925	-	54,404
Interest and rentals	28,166	1,218	-	29,384
Other	27,191	50	-	27,241
Total revenues	<u>679,074</u>	<u>89,120</u>	<u>38,925</u>	<u>807,119</u>
EXPENDITURES				
Legislative	4,451	-	-	4,451
General government	224,540	142,984	-	367,524
Public safety	129,791	-	-	129,791
Public works	210,633	-	-	210,633
Community and economic development	42,557	-	-	42,557
Recreation and culture	14,000	-	-	14,000
Capital outlay	61,716	584	-	62,300
Debt service:				
Principal	-	10,713	-	10,713
Interest	-	1,393	-	1,393
Total expenditures	<u>687,688</u>	<u>155,674</u>	<u>-</u>	<u>843,362</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(8,614)</u>	<u>(66,554)</u>	<u>38,925</u>	<u>(36,243)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	38,925	70,000	-	108,925
Transfers out	(70,000)	-	(38,925)	(108,925)
Total other financing sources (uses)	<u>(31,075)</u>	<u>70,000</u>	<u>(38,925)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(39,689)</u>	<u>3,446</u>	<u>-</u>	<u>(36,243)</u>
FUND BALANCES - BEGINNING	<u>501,343</u>	<u>71,665</u>	<u>-</u>	<u>573,008</u>
FUND BALANCES - ENDING	<u>\$ 461,654</u>	<u>\$ 75,111</u>	<u>\$ -</u>	<u>\$ 536,765</u>

See notes to the financial statements

Township of Otsego

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - *governmental funds* (Continued)**

Year ended March 31, 2008

Net change in fund balances - total governmental funds	\$ (36,243)
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Amounts reported for *governmental activities* in the statement of activities (page 6) are different because:

Capital assets:

Assets acquired	189,372
Provision for depreciation	(79,993)

Long-term debt - principal repayments	<u>10,713</u>
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Change in net assets of <i>governmental activities</i>	<u>\$ 83,849</u>
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See notes to the financial statements

Township of Otsego
STATEMENT OF NET ASSETS - proprietary fund
March 31, 2008

	<u>Public Utilities</u>
ASSETS	
Current assets:	
Cash	\$ 946,054
Receivables	<u>75,592</u>
Total current assets	<u>1,021,646</u>
Noncurrent assets:	
Receivables	256,335
Deferred charges	46,333
Capital assets not being depreciated - land	51,860
Capital assets, net of accumulated depreciation	<u>4,318,934</u>
Total noncurrent assets	<u>4,673,462</u>
Total assets	<u>5,695,108</u>
LIABILITIES	
Current liabilities - payables	18,241
Noncurrent liabilities - contracts payable	<u>1,500,000</u>
Total liabilities	<u>1,518,241</u>
NET ASSETS	
Invested in capital assets, net of related debt	2,917,127
Unrestricted	<u>1,259,740</u>
Total net assets	<u>\$ 4,176,867</u>

See notes to the financial statements

Township of Otsego

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS - *proprietary funds***

Year ended March 31, 2008

	<u>Public Utilities</u>
OPERATING REVENUES	
Charges for services	\$ 352,411
OPERATING EXPENSES	
Salaries	43,604
Payroll taxes	3,820
Pension	4,552
Professional fees	35,387
Insurance	22,391
Utilities	11,275
Supplies and maintenance	32,064
Sewage flow	186,280
Depreciation	103,598
Amortization	17,000
Other	<u>1,438</u>
Total operating expenses	<u>461,409</u>
Operating loss	<u>(108,998)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest revenue:	
Special assessments	15,975
Other	40,422
Capital charges	146,444
Development fees	92,400
Interest expense and fiscal charges	<u>(94,829)</u>
Total nonoperating revenues	<u>200,412</u>
CHANGE IN NET ASSETS	91,414
NET ASSETS - BEGINNING	<u>4,085,453</u>
NET ASSETS - ENDING	<u>\$ 4,176,867</u>

See notes to the financial statements

Township of Otsego
STATEMENT OF CASH FLOWS - proprietary fund
Year ended March 31, 2008

	<u>Public Utilities</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 346,686
Payments to vendors and suppliers	(294,864)
Payments to employees	(43,604)
	<u>8,218</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Receipt of capital charges	146,444
Receipt of development fees	92,400
Collection of special assessment principal	42,193
Collection of special assessment interest	17,135
Acquisition of fixed assets	(6,475)
Principal payments on capital debt	(105,000)
Interest payments on capital debt	(63,728)
	<u>122,969</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>40,422</u>
NET INCREASE IN CASH	171,609
CASH - BEGINNING	<u>774,445</u>
CASH - ENDING	<u><u>\$ 946,054</u></u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (108,998)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization	120,598
Increase in receivables	(5,725)
Increase in payables	<u>2,343</u>
Net cash provided by operating activities	<u><u>\$ 8,218</u></u>

See notes to the financial statements

Township of Otsego
STATEMENT OF FIDUCIARY NET ASSETS - Agency Fund
March 31, 2008

ASSETS

Cash	\$ <u>66,820</u>
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LIABILITIES

Due to other governmental units	\$ <u>66,820</u>
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See notes to the financial statements

Township of Otsego
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Otsego, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Township of Otsego
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the Township.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Cemetery Fund accounts for the financial resources used for the operational costs of the Township's cemeteries. Revenues are primarily derived from charges for services and contributions from a local unit.

The Township reports the following major proprietary fund:

The Public Utilities Fund accounts for the activities of the Township's sewage collection and water distribution systems.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector standards.

The Township reports a single fiduciary fund, its Agency Fund, which accounts for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Township of Otsego
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

ii) Receivables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) Capital assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 (\$10,000 for infrastructure assets) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning April 1, 2004.

The Township includes shared fire vehicle costs in the intangible assets of its governmental activities. These costs represent the Township's portion of fire vehicles that are owned by the City of Otsego.

The Township includes sewage capacity rights in the intangible assets of its business-type activities. These costs represent the Township's sewage capacity rights through the City of Plainwell.

Capital assets are depreciated or amortized using the straight-line method over the following useful lives:

Buildings and improvements	15 - 60 years
Equipment	3 - 15 years
Sewer and water systems	50 years
Intangible assets	5 - 25 years

iv) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Township of Otsego
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity (continued):

v) Property tax revenue recognition - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township considers property taxes levied December 1 to be revenues of the current period.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the functional level. All annual appropriations lapse at the end of the fiscal year. There are no significant budget variations during fiscal year ended March 31, 2008.

NOTE 3 - CASH:

At March 31, 2007, the Township's cash, as presented in the financial statements, is as follows:

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Fiduciary</u>	<u>Totals</u>
Cash	\$ 454,420	\$ 946,054	\$ 66,820	\$ 1,467,294

State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At March 31, 2008, \$1,218,123 of the Township's bank balances of \$1,502,282 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

Township of Otsego
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - RECEIVABLES:

At March 31, 2008, the receivables of the Township's funds are as follows:

	<u>Accounts</u>	<u>Property taxes</u>	<u>Special assess- ments</u>	<u>Inter- govern- mental</u>	<u>Totals</u>
Governmental funds:					
General Fund	\$ -	\$ 15,352	\$ -	\$ 52,290	\$ 67,642
Cemetery Fund	-	-	-	53,927	53,927
Total governmental funds	<u>\$ -</u>	<u>\$ 15,352</u>	<u>\$ -</u>	<u>\$ 106,217</u>	<u>\$ 121,569</u>
Proprietary fund:					
Public Utilities Fund	<u>\$ 37,315</u>	<u>\$ -</u>	<u>\$ 294,612</u>	<u>\$ -</u>	<u>\$ 331,927</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 256,335</u>	<u>\$ -</u>	<u>\$ 256,335</u>

All receivables are considered fully collectible.

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended March 31, 2008, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	<u>\$ 11,850</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,850</u>
Capital assets being depreciated:				
Land improvements	7,000	-	-	7,000
Buildings	234,315	-	-	234,315
Equipment	218,912	20,768	(8,650)	231,030
Intangible assets	<u>893,718</u>	<u>168,604</u>	<u>-</u>	<u>1,062,322</u>
Subtotal	<u>1,353,945</u>	<u>189,372</u>	<u>(8,650)</u>	<u>1,534,667</u>
Less accumulated depreciation for:				
Land improvements	(827)	(234)	-	(1,061)
Buildings	(78,450)	(5,708)	-	(84,158)
Equipment	(161,971)	(25,027)	8,650	(178,348)
Intangible assets	<u>(366,873)</u>	<u>(49,024)</u>	<u>-</u>	<u>(415,897)</u>
Subtotal	<u>(608,121)</u>	<u>(79,993)</u>	<u>8,650</u>	<u>(679,464)</u>
Total capital assets being depreciated, net	<u>745,824</u>	<u>109,379</u>	<u>-</u>	<u>855,203</u>
Governmental activities capital assets, net	<u>\$ 757,674</u>	<u>\$ 109,379</u>	<u>\$ -</u>	<u>\$ 867,053</u>

Township of Otsego
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS (Continued):

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Business-type activities:				
Capital assets not being depreciated - land	<u>\$ 51,860</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,860</u>
Capital assets being depreciated:				
Sewer and water systems	4,917,510	-	-	4,917,510
Equipment	57,573	6,475	-	64,048
Intangible assets	<u>425,000</u>	<u>-</u>	<u>-</u>	<u>425,000</u>
Subtotal	<u>5,400,083</u>	<u>6,475</u>	<u>-</u>	<u>5,406,558</u>
Less accumulated depreciation for:				
Sewer and water system	(845,884)	(98,340)	-	(944,224)
Equipment	(39,542)	(5,258)	-	(44,800)
Intangible assets	<u>(81,600)</u>	<u>(17,000)</u>	<u>-</u>	<u>(98,600)</u>
Subtotal	<u>(967,026)</u>	<u>(120,598)</u>	<u>-</u>	<u>(1,087,624)</u>
Total capital assets being depreciated, net	<u>4,433,057</u>	<u>(114,123)</u>	<u>-</u>	<u>4,318,934</u>
Business-type activities capital assets, net	<u>\$ 4,484,917</u>	<u>\$ (114,123)</u>	<u>\$ -</u>	<u>\$ 4,370,794</u>

Depreciation expense was charged to governmental functions of the Township as follows:

Governmental activities:	
General government	\$ 28,900
Public safety	37,655
Public works	<u>13,438</u>
Total governmental activities	<u>\$ 79,993</u>

Township of Otsego
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - LONG-TERM OBLIGATIONS:

Long-term obligations, at March 31, 2008, are comprised of the following individual issues:

Governmental activities:

\$34,207 2007 installment purchase agreement payable in annual installments ranging from \$10,713 to 11,388, plus interest at 6.30%; final payment due May 2009. \$ 11,388

Business-type activities:

\$1,375,000 2000 Allegan County water supply and sewage disposal system contract payable - payable in annual installments ranging from \$50,000 to \$75,000, plus interest at 5.10% to 5.30%; final payment due May 2009. \$ 75,000

\$645,000 2004 Allegan County water supply and sewage disposal system contract payable - payable in annual installments ranging from \$35,000 to \$60,000, plus interest at 2.00% to 4.13%; final payment due May 2016. 460,000

\$965,000 2006 Allegan County water supply and sewage disposal system contract payable - payable in annual installments ranging from \$75,000 to \$105,000, plus interest at 3.80% to 4.50%; final payment due May 2020. 965,000

Total business-type activities \$ 1,500,000

Long-term obligation activity for the year ended March 31, 2008, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Governmental activities:					
2007 installment purchase	<u>\$ 22,101</u>	<u>\$ -</u>	<u>\$ (10,713)</u>	<u>\$ 11,388</u>	<u>\$ 11,388</u>
Business-type activities:					
2000 contract payable	\$ 125,000	\$ -	\$ (50,000)	\$ 75,000	\$ -
2004 contract payable	515,000	-	(55,000)	460,000	-
2006 contract payable	<u>965,000</u>	<u>-</u>	<u>-</u>	<u>965,000</u>	<u>-</u>
	<u>\$ 1,605,000</u>	<u>\$ -</u>	<u>\$ (105,000)</u>	<u>\$ 1,500,000</u>	<u>\$ -</u>

Township of Otsego
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - LONG-TERM OBLIGATIONS (Continued):

Debt service requirements at March 31, 2008, were as follows:

<u>Year ended</u> <u>March 31:</u>	<u>Governmental activities</u>		<u>Business-type activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 11,388	\$ 717	\$ -	\$ 31,021
2010	-	-	205,000	57,699
2011	-	-	125,000	51,052
2012	-	-	120,000	46,471
2013	-	-	115,000	41,945
2014 - 2018	-	-	720,000	122,141
2019 - 2021	-	-	215,000	9,534
Totals	<u>\$ 11,388</u>	<u>\$ 717</u>	<u>\$1,500,000</u>	<u>\$ 359,863</u>

All debt is secured by the full faith and credit of the Township.

NOTE 7 - DEFINED CONTRIBUTION PENSION PLAN:

The Township provides pension benefits for substantially all of its employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Michigan state statute assigns the authority to establish and amend benefit provisions to the Township Board of Trustees. Employees are eligible to participate from the date of employment. Contributions range from \$200 to \$3,600 per employee, at a rate of \$100 per \$1,000 of compensation. The Township's contributions are fully vested immediately. The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets.

The Township made the required contributions of \$21,134 for the fiscal year ending March 31, 2008.

Township of Otsego
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - INTERFUND TRANSFERS:

A summary of interfund transfers for the year ended March 31, 2008, is as follows:

<u>Fund</u>	<u>Transfers in</u>	<u>Fund</u>	<u>Transfers out</u>
Cemetery	\$ 70,000	General	\$ 70,000
General	<u>38,925</u>	Trash	<u>38,925</u>
	<u>\$ 108,925</u>		<u>\$ 108,925</u>

The transfer to the Cemetery Fund represents unrestricted revenues from the General Fund to help pay for operational costs of the Township's cemeteries.

The transfer to the General Fund represents restricted revenues collected in the Trash Fund to pay for operational costs of trash collection accounted for in the General Fund.

NOTE 9 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 10 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended March 31, 2008, is as follows:

Revenues	\$ 50,402
Expenses	<u>56,021</u>
Deficiency of revenues over expenses	<u>\$ (5,619)</u>

REQUIRED SUPPLEMENTARY INFORMATION

Township of Otsego
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended March 31, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 191,790	\$ 191,790	\$ 198,137	\$ 6,347
Licenses and permits	76,170	76,537	61,939	(14,598)
State grants	349,006	349,006	343,162	(5,844)
Charges for services	24,500	25,135	20,479	(4,656)
Interest and rentals	26,500	26,500	28,166	1,666
Other	39,568	38,566	27,191	(11,375)
Total revenues	<u>707,534</u>	<u>707,534</u>	<u>679,074</u>	<u>(28,460)</u>
EXPENDITURES				
Legislative	<u>4,951</u>	<u>4,951</u>	<u>4,451</u>	<u>500</u>
General government:				
Supervisor	17,255	17,255	16,445	810
Elections	8,000	8,000	4,040	3,960
Assessor	32,600	32,760	32,760	-
Clerk	28,012	28,012	26,657	1,355
Board of Review	1,500	1,500	1,188	312
Treasurer	28,012	28,012	27,757	255
Hall and grounds	30,000	30,000	23,699	6,301
General administration	119,470	117,104	91,994	25,110
Total general government	<u>264,849</u>	<u>262,643</u>	<u>224,540</u>	<u>38,103</u>
Public safety:				
Fire protection	73,500	74,500	85,172	(10,672)
Inspections	59,000	59,000	44,619	14,381
Total public safety	<u>132,500</u>	<u>133,500</u>	<u>129,791</u>	<u>3,709</u>
Public works:				
Road maintenance and improvements	170,455	170,455	167,740	2,715
Street lighting	5,050	5,050	4,500	550
Drains	5,000	5,000	1,614	3,386
Refuse collection	36,000	36,000	29,052	6,948
Recycling	2,000	2,000	3,958	(1,958)
Engineering	5,000	5,000	3,769	1,231
Total public works	<u>223,505</u>	<u>223,505</u>	<u>210,633</u>	<u>12,872</u>

Township of Otsego**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended March 31, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Community and economic development - planning and zoning	<u>\$ 41,902</u>	<u>\$ 44,108</u>	<u>\$ 42,557</u>	<u>\$ 1,551</u>
Recreation and culture	<u>14,000</u>	<u>14,000</u>	<u>14,000</u>	<u>-</u>
Capital outlay	<u>31,600</u>	<u>75,600</u>	<u>61,716</u>	<u>13,884</u>
Total expenditures	<u>713,307</u>	<u>758,307</u>	<u>687,688</u>	<u>70,619</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(5,773)</u>	<u>(50,773)</u>	<u>(8,614)</u>	<u>42,159</u>
OTHER FINANCING SOURCES (USES)				
Transfer in - Trash Fund	<u>37,080</u>	<u>37,080</u>	<u>38,925</u>	<u>1,845</u>
Transfer out - Cemetery Fund	<u>(80,000)</u>	<u>(80,000)</u>	<u>(70,000)</u>	<u>10,000</u>
Total other financing uses	<u>(42,920)</u>	<u>(42,920)</u>	<u>(31,075)</u>	<u>11,845</u>
NET CHANGES IN FUND BALANCES	<u>(48,693)</u>	<u>(93,693)</u>	<u>(39,689)</u>	<u>54,004</u>
FUND BALANCES - BEGINNING	<u>501,343</u>	<u>501,343</u>	<u>501,343</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 452,650</u>	<u>\$ 407,650</u>	<u>\$ 461,654</u>	<u>\$ 54,004</u>

Township of Otsego
BUDGETARY COMPARISON SCHEDULE - Cemetery Fund
Year ended March 31, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Contribution from local unit	\$ 51,723	\$ 51,723	\$ 53,927	\$ 2,204
Charges for services	25,000	33,835	33,925	90
Interest	1,100	1,150	1,218	68
Other	<u>100</u>	<u>100</u>	<u>50</u>	<u>(50)</u>
Total revenues	<u>77,923</u>	<u>86,808</u>	<u>89,120</u>	<u>2,312</u>
EXPENDITURES				
General government	149,091	149,691	142,984	6,707
Capital outlay	1,000	1,000	584	416
Debt service:				
Principal	10,713	10,713	10,713	-
Interest	<u>1,393</u>	<u>1,393</u>	<u>1,393</u>	<u>-</u>
Total expenditures	<u>162,197</u>	<u>162,797</u>	<u>155,674</u>	<u>7,123</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(84,274)	(75,989)	(66,554)	9,435
OTHER FINANCING SOURCES				
Transfer in - General Fund	<u>80,000</u>	<u>71,715</u>	<u>70,000</u>	<u>(1,715)</u>
NET CHANGES IN FUND BALANCES	(4,274)	(4,274)	3,446	7,720
FUND BALANCES - BEGINNING	<u>71,665</u>	<u>71,665</u>	<u>71,665</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 67,391</u>	<u>\$ 67,391</u>	<u>\$ 75,111</u>	<u>\$ 7,720</u>

SUPPLEMENTARY DATA

Township of Otsego

SCHEDULE OF ANNUAL PRINCIPAL AND INTEREST REQUIREMENTS

\$1,375,000 2000 WATER SUPPLY AND SEWAGE DISPOSAL

SYSTEM CONTRACT PAYABLE

March 31, 2008

<u>Fiscal period</u>	<u>Interest rate</u>	<u>Interest</u>		<u>Maturity date</u>	<u>Principal</u>	<u>Total requirements</u>
		<u>May 1</u>	<u>November 1</u>			
2009	5.25%	\$ -	\$ 1,988	05/01/08	\$ -	\$ 1,988
2010	5.30%	<u>1,987</u>	<u>-</u>	05/01/09	<u>75,000</u>	<u>76,987</u>
		<u>\$ 1,987</u>	<u>\$ 1,988</u>		<u>\$ 75,000</u>	<u>\$ 78,975</u>

Township of Otsego**SCHEDULE OF ANNUAL PRINCIPAL AND INTEREST REQUIREMENTS****\$645,000 2004 WATER SUPPLY AND SEWAGE DISPOSAL****SYSTEM CONTRACT PAYABLE***March 31, 2008*

<i>Fiscal period</i>	<i>Interest rate</i>	<i>Interest</i>		<i>Maturity date</i>	<i>Principal</i>	<i>Total requirements</i>
		<i>May 1</i>	<i>November 1</i>			
2009	3.250%	\$ -	\$ 8,630	05/01/08	\$ -	\$ 8,630
2010	3.375%	8,630	7,702	05/01/09	55,000	71,332
2011	3.375%	7,702	6,858	05/01/10	50,000	64,560
2012	3.500%	6,858	5,983	05/01/11	50,000	62,841
2013	3.625%	5,983	5,167	05/01/12	45,000	56,150
2014	3.800%	5,167	3,837	05/01/13	70,000	79,004
2015	3.900%	3,837	2,570	05/01/14	65,000	71,407
2016	4.100%	2,570	1,238	05/01/15	65,000	68,808
2017	4.125%	1,238	-	05/01/16	60,000	61,238
		<u>\$ 41,985</u>	<u>\$ 41,985</u>		<u>\$ 460,000</u>	<u>\$ 543,970</u>

Township of Otsego**SCHEDULE OF ANNUAL PRINCIPAL AND INTEREST REQUIREMENTS****\$965,000 2006 WATER SUPPLY AND SEWAGE DISPOSAL****SYSTEM CONTRACT PAYABLE***March 31, 2008*

<i>Fiscal period</i>	<i>Interest rate</i>	<i>Interest</i>		<i>Maturity date</i>	<i>Principal</i>	<i>Total requirements</i>
		<i>May 1</i>	<i>November 1</i>			
2009	3.80%	\$ -	\$ 20,403		\$ -	\$ 20,403
2010	3.80%	20,403	18,977	05/01/09	75,000	114,380
2011	3.80%	18,977	17,515	05/01/10	75,000	111,492
2012	3.90%	17,515	16,115	05/01/11	70,000	103,630
2013	4.00%	16,115	14,680	05/01/12	70,000	100,795
2014	4.10%	14,680	13,228	05/01/13	70,000	97,908
2015	4.15%	13,228	11,232	05/01/14	95,000	119,460
2016	4.20%	11,232	9,297	05/01/15	90,000	110,529
2017	4.30%	9,297	7,340	05/01/16	90,000	106,637
2018	4.35%	7,340	4,810	05/01/17	115,000	127,150
2019	4.40%	4,810	2,362	05/01/18	110,000	117,172
2020	4.45%	2,362	-	05/01/19	105,000	107,362
		<u>\$ 135,959</u>	<u>\$ 135,959</u>		<u>\$ 965,000</u>	<u>\$ 1,236,918</u>

July 21, 2008

To the Board of Trustees
Township of Otsego

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Otsego for the year ended March 31, 2008, and have issued our report thereon dated July 21, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated March 11, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Township of Otsego are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by Township of Otsego during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was capital asset depreciation.

Management's estimate of the capital asset depreciation is based on the estimated useful lives of the Township's capital assets. We evaluated the key factors and assumptions used to develop the capital asset depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.



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The disclosures in the financial statements are neutral, consistent, and clear.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Management has recorded all of our proposed audit adjustments.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter associated with the audits for the year ended March 31, 2008.

Other Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township of Otsego's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Communication Regarding Internal Control

In planning and performing our audit of the financial statements of the Township of Otsego as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Otsego's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

The Township has not implemented a system of controls to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to achieve the objectives of recording revenue and expense accruals, the capitalization and depreciation of capital assets, and the presentation of financial statement disclosures. This is a recurring comment. The Township has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so.

This communication is intended solely for the information and use of the Board of Trustees of the Township of Otsego and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Sigfried Crandall P.C.